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## From Autonomy to Subordination? Relations Between the State and the Representations of Interests on the German Labor Market

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**FROM AUTONOMY TO SUBORDINATION? RELATIONS  
BETWEEN THE STATE AND THE REPRESENTATIONS OF  
INTERESTS ON THE GERMAN LABOUR MARKET**

**Michał Moszyński**

**Toruń, Poland 2018**

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## **From Autonomy to Subordination? Relations Between the State and the Representations of Interests on the German Labor Market**

### **Abstract**

The main aim of the article is to assess the functioning and outcomes of tripartite structures of cooperation consisting of trade union federations, employers' organizations and the state in Germany on the background of the evolution of the welfare state. In the historical description, which was carried on chronologically covering 50 years from late 1960s, tools of institutional analysis and comparison were used. Main results indicate that state policy initially supported trade unions and employers' organizations as institutions of mediation and collective bargaining centers, but over time the sphere of social security has become a source of tensions between labor and capital. Due to generating unemployment, buying social peace became dysfunctional and impossible to finance in the long run thus the government had to reform the labor market, social sphere and consequently the German welfare state.

**Keywords:** collective bargaining, institutional analysis, tripartite cooperation, alliances for work, welfare state

**JEL classification:** B5, J38, J52

### **Introduction**

The study aims to bring the functioning and evolution of institutional structures of dialogue and bargaining between the three main actors of the modern labour market – trade union federations, employers' organizations and the state. These structures have been established since the end of the 1960s on the initiative of the government and / or corporations (organizations of labour and capital) at the macroeconomic level for the implementation of socially important goals in the sphere of the labour market and social security. It was argued that such a broad cooperation would allow to solve the problems more effectively, however these pacts proved to be unstable and generally did not allow to achieve the declared effects. The central axis of interest of the parties was the level and rate of pay growth, and the possibilities of their shaping were due to the relative bargaining power of individual actors. With the evolution of the welfare state, these forces have evolved, from autonomy to

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subordination, which reflected the successions of the tripartite structures. In this elaboration, the discussed institutions are treated as forms of tripartite dialogue, coordination and bargaining with varying degrees of formalization.

In Germany, trade unions and employers' organizations combine with the state their complicated networks of connections and dependencies, leading through the bargaining system the status and structure of the institution of mediation and the social policy of the government. On the specific to the Rhenish capitalism idea of social partnership there are based institutional solutions generated by the state and aimed at mitigating the antagonism between labour and capital. These conflicts are attempted to be moderated through institutionalized forms of dialogue between the most important actors of the economic life: trade unions and employers' organizations.

In the German model, these organizations play a traditionally significant role, hence the model is referred to as co-ordinated capitalism or a “corporatist market economy”. The dialogue within industrial relations takes place in various forums, areas and levels, starting from the level of the company (in accordance with the principle of co-determination), through industries (under collective bargaining arrangements<sup>2</sup>) and ending at the national level. In this study, the subject of the analysis is primarily the highest trilateral coordination level of interests on the labour market, when the government and / or others acting on behalf of the state institutional actors: the central bank, federal agencies, parliamentary committees and expert bodies directly become the partner of the trade unions and employers' organizations. During the period of 1967-2003 this, alternative to the market solutions, meta-coordination formalized only three times, each time under different conditions. The inauguration and the first embodiment of the dialogue forum took place during the period of expansion of the German welfare state, two more were already constructed under the slogans of its reforms. The focus of all parties was on negotiating the pay level and dynamics as well as social security.

The relations between the state and representatives of interest groups were, in the shortest terms, in the broad area between the autonomy and subordination, which explains the attitudes presented by key decision-makers in the analysed period. It should be noted, however, that the representation of the interests of the large German capital was more effective in obtaining real autonomy and it was more difficult to submit to the will of the state than in the case of trade unions. The initiator of the multilateral forum and the main creator of German economic

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<sup>2</sup> The principle of collective bargaining autonomy gives trade unions and employers' organizations freedom to regulate pay and working conditions through collective agreements that are unrestricted by state intervention.

policy in 1967-1972, Karl Schiller, tried to incorporate formal representations of interests into the framework of a government-led dialogue to achieve, or secure, general economic equilibrium. Social partners remained, formally and actually, independent of the government, which tried to win (and not compel) them to cooperate in the implementation of income policy. An important division of responsibility for the authorities had its price, as corporations, raised to the rank of a government partner, expected financial support, which they received, among others in the form of “gifts” in the social welfare, leading the German model towards the welfare state. It was no coincidence that the trend of mutual strengthening of corporatism as an institution of mediation and centralized bargaining emerged during this period. It confirms the hypothesis, formulated in the literature<sup>3</sup>, about the possibilities of controlling labour costs and maintaining the competitiveness of the industry thanks to the centralization of bargaining in conditions of the welfare state. The government may be interested in such a centralization, because it is easier for them to conduct a dialogue and agree on their goals.

The relations of the government and social partners changed during the two terms of G. Schröder’s office. In the first term, in 1998-2002, the chancellor tried, at least in declarative terms, to develop cooperation maintaining full corporate autonomy and initiated the creation of a forum for tripartite dialogue: the Alliance for Work, Education and Competitiveness. At the same time, he expressed the conviction that the political leadership of the government and the autonomy of collective bargaining are not mutually exclusive. The government, as he claimed, is to remind their partners of responsibility for the labour market, and if necessary, make independent interference on the legislative path (Schröder 1999, pp. 49-51). In this context, W. Streeck (2009, p. 62) draws attention to the gradual liberation of the government, political parties and parliament from the influence of work and capital organization in the field of social policy. This was manifested, among others, by the changes in the composition of the influential Labour and Social Affairs Committee (in the 1990s), and above all, the reorganization and limitation of the autonomy of the Federal Labour Office (after 2002).

Regarding all the constructed platforms, critics have made similar allegations, including questions about the meaning of creating quasi-government bodies, legitimacy to conduct activities and transparency of conduct. The idea of the agreement was strongly criticized in 1999 by Angela Merkel (1999, pp. 107-108), then an opposition politician, claiming that “in the liberal order of the Social Market Economy” it is not possible to reduce the overtime and

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<sup>3</sup> The relationship between different varieties of the welfare state and the various regimes for wage bargaining is indicated by P. Swenson (1999) and P. Manow (2001, pp. 27-51).

create additional jobs by the decision of the Alliance. The role of politics is not to make such decisions, but to create attractive conditions for the functioning of enterprises and investments. According to Merkel, the idea of the pact, that was created in a different political constellation and reality, has worn out and is empty. In her opinion, politics can not withdraw to the positions of a moderator supervising the parties who are supposed to replace the government in the task of actively shaping the institutional structures of modern economy.

The inability to work out solutions through compromise confirmed the validity of the criticism quoted. The government's position hardened and they interfered during Schröder's second term (2002-2005) in the form of a package of labour market and social security reforms, rebuilding the German welfare state. Announcing new, more stringent solutions, the Chancellor underlined that the constitutionally guaranteed autonomy of collective bargaining gives the government not only the right to do so, but also imposes the responsibility of bargaining partners for the economy and society. He stipulated that there is no room for a particular interest above the general good and threatened that, in the absence of cooperation in making bargaining arrangements more flexible, the legislature will also enter the field (Schröder 2003).

The elaboration examines the trilateral coordination trials that functioned over a period of several decades, from the statutory creation of such a possibility in 1967. The most attention was paid to the Concerted Action (*Konzertierte Aktion*): the first and longest acting forum, which was the benchmark for further initiatives. In each case, the objectives, participants and reasons for the breakdown of the dialogue platform are briefly presented. The background of the case-by-case analysis is the attitude of the state to corporations, trade unions and employers' organizations, in the context of the development and crisis of the German welfare state. The narrative covers a long period in which an interesting evolution took place not only of institutional forms of cooperation, but also of the German model of Social Market Economy within the labour market and social security system. The end of Erhard's era crowned the stage of full employment, "prosperity for all" worked out by everyone and inaugurated a drift towards the welfare state generated by the decreasing number of workers. Corporations grew in strength and fought to maintain their privileges, financed by the state. Only the painful reforms of 2003-2005 weakened their position and presented the state as a more sovereign creator of institutional order. As a result of the reforms, Germany, after four decades, returned to full employment.

The study ends with a summary of the analysed cases, conclusions from considerations and broader assumptions regarding the sense of constructing such structures in the modern economy.

### **Starting point – a statutory framework for reconciling interests**

The two pillars of the institutional order of the labour market in Germany, which are to facilitate the cooperation of labour and capital, are the bargaining autonomy and the principle of co-determination. Bargaining autonomy is constitutionally established and, in accordance with the principle of subsidiarity, leaves the parties of industrial relations, trade unions and employers' organizations, the freedom to set minimum standards for individual employment contracts. Co-determination attempts to balance the impact of labour and capital on business management. These principles reflect the ideas of the Social Market Economy in its original version, stemming from the tradition of German ordoliberalism. In this trend, a clear division of tasks is preferred: the role of the state is to establish institutional order and refrain from interference in the management process, which is the domain of economic entities. However, the ordoliberalism classics warned against too strongly developed corporatism, which is an indirect method of control, which may lead to the use of market power and forcing the solutions beneficial to the organized groups at the expense of the general public. In addition, they criticized the political forms that connect planning with the market: including the concept of a welfare state.

In 1967, there took place a paradigm shift in economic policy and a Keynesian shift towards so called process policy<sup>4</sup>. The Act on Supporting Stability and Economic Growth (*Gesetz zur ...*) set ambitious goals: “The Federation and the States, using the instruments of economic and financial policy, are to orientate themselves to the requirements of the general economic equilibrium. Actions are to be carried out in such a way as to contribute to the implementation of price stability, high employment, external balance and sustainable economic growth as part of the market-economy order”.

The still formally binding legal act assumes an active role of the government in harmonizing the desirable behaviours of the trade unions, employers' organizations and local authorities in the event of a threat to at least one of the objectives. This provision was the

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<sup>4</sup> The distinction in the area of economic policy into “process policy” (*Prozesspolitik*) and “policy of economic order” (*Ordnungspolitik*) has been developed by the ordoliberal economists in 1940s and 1950s and is still in use in German economic literature.

basis for the establishment of a tripartite dialogue institution for a better macro-coordination of the activities of the most important economic actors.

For the implementation of this “magic quadrangle” a number of institutional tools and solutions were proposed to control the aggregate demand, including:

- the institutionalization of information and planning activities, including annual government economic reports in response to reports of German Council of Economic Experts, five-year investment plans and reports on state aid;
- the counter-cyclical financial policy;
- influencing consumption and investment expenditures of the private sector;
- including industrial partners (Andersen, Woyke 2000, pp. 572-574)<sup>5</sup>.

The Act specifies that expanding the number of participants may take place in the case of putting the objectives from the “magic quadrangle” at risk. The role of the government, and more specifically, the Minister of Economy, is then to “provide indicative data” in order to be able to coordinate the behaviour of local authorities, trade unions and employers' organizations. The minister is obliged, if requested, to explain his/her intentions. However, there are no precise provisions about the institutional shape of such cooperation. This coordination of partners has been called, literally speaking, a “concerted”, “orchestrated” or “agreed” action.

### **The turn of the 1960s and 1970s**

Since 1967, Karl Schiller, Erhard's successor in the chair of the Minister of Economy, had already promoted the forum; both he and the German Council of Economic Experts opted for more intense cooperation between the parties than the one devised in the Act. As a result of their efforts, the coordination of actors was institutionalized in the form of a platform for regular discussions – called the Concerted Action. Several dozen representatives of important ministries, the Bundesbank, the Council of Economic Experts and significant trade unions and employers' organizations participated in the meetings chaired by the Minister of Economy. Schiller attempted to transform the Action into an instrument facilitating aggregated demand controlling, due to, among others, the “gentle management of income policy”. The attempt was based on the assumption that in the German economy decisions regarding pay and income development are so centralized that they have a general economic dimension, which is

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<sup>5</sup> The Act on Supporting Stability and Economic Growth should be associated with another important legal act, constituting an active policy on the labour market, i.e. the Employment Promotion Act (*Arbeitsförderungsgesetz* from 1969).



why the traditional fiscal policy should be complemented with a monetary policy with a focus on income. In particular, the monetary policy would gain from the coordination of these policies owing to a moderate increase in pay (and prices). In turn, it would be much easier for social partners to plan real pay increases over a longer horizon in a low inflation environment. The following premises justified the focus on pay aspects:

- pay negotiations take place at significant time intervals (so-called pay rounds), in front of the public opinion, between large groups, while decisions about the prices are made individually and relatively quickly by companies;
- over-average performance surpluses of specific branches of industry are moved to pay increases rather than to price drops.

From the government's point of view, the Concerted Action was therefore a sophisticated income policy instrument (Hewel 1980, pp. 67, 76), run by the hands of social partners. It provided for the possibility of including trade unions and employers' organizations in the framework of a government-led dialogue to achieve or secure general economic equilibrium. The factors weakening their market power and ordering the behaviour of these formally autonomous partners were to be: transparency, access to information, participation in the decision-making process and referring to the sense of responsibility, i.e. moral suasion. The level of bargained pay was the most important parameter that the Action was to influence, and the subsequent elements of the sequence included: the level of effective pay, the level of employment and the average level of prices in the economy.

The theoretical justification for efforts to influence the stabilization of prices and employment resulted from post-Keynesianism. On its grounds, it was argued that pay and price decisions generate the most important inflationary impulses, hence general economic coordination of pay and price policy could prevent inflation and recession by removing from the central bank the necessity of keeping restrictive monetary policy and avoiding the destabilization of the economy. Thus, the conflict between price stability and full employment would be averted. In opposition to these views, there was a monetary theory, according to which the money supply is the main parameter that allows to control the general economic activity. The increments of this parameter create a room for changes in pay and prices (Hewel 1980, p. 77).

The structure of the Action for organizational reasons included a relatively narrow group of representatives of the so-called roof organizations: trade union superstructures and employers' federations. Meanwhile, the pay policy in Germany was conducted by social partners in a more decentralized way: by individual trade unions and employers'

organizations. Therefore, the expectations placed in the Action in the field of the pay policy were not reflected in the actual power of the actors. Competing for employees' favour, for a better representation of their interests, as well as the corporate fear of losses due to strikes, did not support maintaining a joint position. It was expected that this joint position would create an average value in the negotiations, but it turned out that it represented the minimum value taken into account in bargaining at lower levels. Whereas the bargained pay constituted the result of collective bargaining, the level of effective pay was determined by individual employment contracts. In practice, there is a strong relationship between these two values, however, depending on the phase of the business cycle, there are deviations, e.g. in the period of recovery effective pay grows faster than the bargained one. Controlling the level of the bargained pay therefore does not give full control over the level of pay actually received by employees.

The Council of Economic Experts pointed out that private market power could be a source of temptation to destabilizing behaviour by bargaining partners associated with the fight for income distribution (*Verteilungskampf*). The three main premises explain these behaviours. First of all, due to the economic fluctuations in the economy, there may occur wrong understanding of real and nominal amounts of divided income. It was in this situation that the issue was “providing indicative data” for participants in collective bargaining in the form of reliable data shaping the expectations of monetary policy makers (regarding the space for pay growth) as well as the state financial policy. Secondly, there were fears that in the event of a too conciliatory attitude, the other party could improve its bargaining position excessively. Thirdly, one party may strive to permanently strengthen its position in bargaining for income distribution (Sachverständigenrat 1974, pp. 167-168).

The policy of moderate pay growth, approved by trade unions under the Concerted Action, gave rise to the fears that they would lose their influence, frustrated by the stagnation of pay. To maintain their image and demonstrate the ability to represent the interests of their members, IG Metall, a strong trade union, tried not to take too conciliatory position in pay bargaining, but in 1969 and in 1973 the dissatisfaction of employees was manifested in the wave of the so-called wild strikes. In response to this, Bundesbank, one of the participants in the Concerted Action, in 1974 declared the implementation of the money supply control strategy, which the central bank consistently conducted for many years. By this decision, the highly independent Bundesbank declared itself an opponent of easing monetary policy to achieve employment goals and left the forum. Trade unions left the weakening Concerted

Action officially in 1977, under the pretext of a dispute over the Act on co-determination in the company, finalising the Action's definite disintegration.

This period can be interpreted as the government's granting to the social partners a far-reaching autonomy that surpassed the bargaining framework and was associated with concessions leading to the growth of the social sphere and the welfare state.

The failure of the Action as a tool of macroeconomic coordination in the form proposed by Schiller did not negate the chances for a more or less formal crystallization of tripartite cooperation in other areas of overlapping interests. Sketching macroeconomic background of the Concerted Action events, such an area can be specified. It was the welfare state with relatively centralized pay negotiations, whose development and maintenance at one time suited both: corporations and the state. Later, this area became a source of tension, leading to reforms, changing the position of social partners.

In Germany, such a combination of benefits arose in the case of early retirement in declining industries already in the 1960s. Every actor benefited from such policies – government and capital bought social peace, and trade unions secured social rights for their members and maintained a flat structure of wages, externalizing the costs of this procedure<sup>6</sup>. The growth of the social state was reinforced by the generous pension reform of 1972, which among others facilitated early retirement. The attempt to implement global control into economic policy coincided with the oil crisis and the drift towards a welfare state. In response to the crisis, the supply of labour was limited, using the unemployment insurance system, labour market policy and the pension system. The motivation of H. Schmidt's government resulted from a very little room for manoeuvre in achieving the goal of full employment, which could not be financed by fiscal expansion, hence the efforts to conceal problems by pushing labour surpluses out of the labour market earlier. It consolidated the co-existence of a low level of employment and a high level of wages with simultaneous unemployment, which constituted a fixture for the next three decades.

P. Manow proposes to analyse this informal tripartite agreement from the Swenson's concept<sup>7</sup> perspective. In short, it states that in a situation of qualified employee shortage, large and effective companies are willing to pay above the bargained arrangements, which leads to a wage drift. The introduction of generous state-funded programmes can discipline employers and help stabilize centralized pay negotiations that would otherwise undergo rapid erosion. For this reason, employers' organizations, generally dominated by companies that benefit the

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<sup>6</sup> A detailed analysis of such a policy is contained in the work of B. Ebbinghaus (2006).

<sup>7</sup> P. Swenson claims that various welfare state models differently stabilize pay coordination regimes in different ways.

most from coordinated negotiations, turned out to be interested in supporting the welfare state (Manow 2001, p. 28). Manow proves that German enterprises, wishing to remain cost-competitive in global markets, benefited from the stabilizing function of social policy for pay bargaining.

### **Mid-1990s**

The idea of reconciling interests at the meta-level returned at the end of 1995, when the head of the influential IG-Metall trade union, K. Zwickel, came up with the idea of a tripartite work pact. The formula of corporatist coordination at the national level referred explicitly to the tradition of the Concerted Action from Schiller's time, but it existed under completely different conditions. Putting it in a nutshell, the idea boiled down to the proposal to stop trade unions from demanding pay increases in exchange for job security. In turn, the government promised to reduce social security contributions, below 40%, in the hope of lowering unemployment. The Forum, established in spring 1996 under the name of the Alliance for Work and Economic Security (*Bündnis für Arbeit und Standortsicherung*), declared its intention to halve the unemployment by the year 2000. Therefore, at least it was declaratively intended to protect jobs at the expense of certain elements of the welfare state.

The forum broke up shortly after being formed as a result of misunderstanding between the government and trade unions. The attempts to reform and cut spending faced strong protest and lack of government support in the 1998 election year. The main resistance of the unions concerned precisely the limitations of social privileges introduced by the Kohl government. Chancellor did not manage to gain support from the social partners, who became too dependent on the stream of public money. Behind the trade unions there were members who had excessive claims, and behind employers' organizations the enterprises downsizing to fight international competition, willing to reduce staff. Small and medium-sized enterprises were not satisfied with the early retirement of employees, claiming that this solution is more beneficial to large companies, using more capital-intensive technologies and more efficiently controlling working time. As a result, the main federations of employers, BDI and DBA experienced a crisis of legitimacy among their members.

The use of social security systems as a tool to stabilize the compromise took place at the price of an increase in aggregate social security contributions. While in the late 1960s they amounted to 25%, in the end of the 1980s over 35%, and a decade later they exceeded 40% (Streeck 2009, p. 59), raising labour costs and hampering job creation. The amortization

function of the welfare state was particularly visible in the first half of the 1990s, during the reunification of Germany.

It turned out, however, that the increasing injections of public funds, difficult to bear for the budget, did not guarantee peace, and led to conflicts around the redistribution of income and social insurance.

### **The turn of the 20th and 21st centuries**

The project of reconstructing the structures of dialogue at the highest level returned during the election campaign in 1998 and was embedded in the coalition agreement between the SPD and the Greens, assigning specific tasks to the actors:

- trade unions and enterprises were to develop a bargaining policy aimed at supporting employment and organizing work that would reconcile the interests of the parties;
- business entities were supposed to increase capital expenditures and develop innovation, and in cooperation with the public sector create additional positions of apprenticeship in the dual education system;
- the government was assigned the role of the creator of the institutional framework for sustainable growth and sustainable jobs, among others through a tax reform, reduction of non-wage labour costs, modernization of public services, etc.

After the elections, the provisions were adopted at the end of 1998 and a tripartite agreement was established under the new name of the Alliance for Work, Vocational Training and Competitiveness (*Das Bündnis für Arbeit, Ausbildung und Wettbewerbsfähigkeit*).

Chancellor Schröder tried to politically set this initiative in the concept of a social democratic “new centre”, formulated in a joint program declaration with British Prime Minister T. Blair. Chancellor concluded that the experience of the Concerted Action, but also other countries prove that solving the problems of mass unemployment requires cooperation of three parties, and the effectiveness of the new structure is conditioned by consent in the following points:

- the pact is not just a matter of government,
- the state and organized parties recognize their responsibility and contribution,
- the pact must have a long time horizon,
- the pact accompanies the government in its reforms and inspires change.

Chancellor stipulated that he did not recognise the Alliance as an additional government centre, only a formula allowing to develop optimal solutions for the benefit of the entire economy.

Inspiration and evidence of the dialogue success between the state and its partners was provided by the example of the Netherlands, where, after the deep crisis of the early 1980s, far-reaching reforms were made on the labour market and in the economic policy. Schröder recalled the mechanism: the state reduces non-wage labour costs, in exchange, trade unions declare to limit their pay aspirations below the productivity growth, while employers spend part of their profits on maintaining employment and employee participation in productive assets.

A discussion of a dozen or so thematic areas was distributed between working groups and experts, coordinated by the steering committee. At the same time, an additional benchmark group composed of representatives of science and ministry officials was looking for the best foreign solutions suitable for adaptation in Germany. The results of the work were discussed during the “top” talks.

Despite these preparations and efforts in the organization of work, it turned out that the trade unions were not ready to abandon the convenient solutions of the welfare state in the field of labour market policy and the retirement age, what is more, the IG Metall tried to push through the retirement of 60-year-olds. After four years, in spring 2002, talks were discontinued after an unresolved dispute over the bargaining policy and the Alliance collapsed. Preferences for high wages became visible after high increases, pushed through in the spring round of negotiations, which were not justified by either the weak situation on the labour market or the uncertain economic situation.

Determined Chancellor Schröder, faced with elections, set up a special commission chaired by P. Hartz, who developed extensive labour market reforms and unemployment insurance. After winning the elections (in autumn 2002) Chancellor attempted to initiate talks at the summit (with the chairman of the Federation of Trade Unions and the president of the employers' association). The talks failed as the parties were unable to establish even a list of topics. Chancellor, who was discouraged by the Alliance, resolutely implemented painful and unpopular reforms, and his government took an active role as a creator of the institutional order.

Reforms undertaken in the social sphere and labour market changed the face of the German welfare state, as well as reduced the role and political pressure of organizations representing work and capital. Loss of part of the economic rents by trade unions and employers'

organisations diminishes their attractiveness for current and potential members and, consequently, may contribute to the progressive erosion of collective bargaining and the organizational level of the mediation institution. Trade unions and employers' organisations were therefore forced to make greater efforts to retain their members, make the offer more attractive and take care of their interests. Considering the diversity of these interests from different angles, the development of a joint position became more and more difficult, as indicated by the increased strike activity in some industries.

### **2008-2009 crisis**

As another incarnation, this time the successful coordination of the employer and employee interests may be an informal (!) alliance for work, whose manifestations were visible after the year 2000, but especially during the 2008-2009 global crisis (Lesch 2010). The unions showed a unique degree of pay discipline, employers maintained jobs, despite the low capacity utilization, and the state supported this arrangement with social policy and labour market measures.

The interests overlapped on all sides: the state and trade unions wanted to prevent unemployment, and employers wished to retain qualified workers. This was especially evident in the industry and in export-producing enterprises, where the strategy of the so-called labour hoarding could be seen. Thanks to these actions, the German labour market smoothly absorbed a powerful shock and allowed for a quick return to the path of growth, when the revival of the international prosperity appeared. In these narrow objectives, tripartite cooperation proved to be effective without extensive negotiations.

### **Lessons from experience**

The examples in question reflect attempts to solve economic challenges in the form of more or less formal agreements on the third way of corporatism, going beyond clear market and state domains. The Concerted Action was an institutional response to the need to coordinate the pay, fiscal and monetary policy in rising inflation. The next two pacts addressed the problem of unemployment and the crisis of the social state, while the informal pact for work during the crisis was aimed at maintaining positions in the industry sector (see Table 1).

**Table 1.** Agreements with the participation of the government, trade unions and employers' organizations in Germany

Agreement	Initiator	Declared objectives	Period	Cause of termination	Ideological basis / economic background
Concerted Action	G	Coordination of pay, fiscal and monetary policy	1967-1977	Conflict of goals, dispute about co-determination	Keynesianism / The growth of the state of prosperity and the strength of corporations
Alliance for Work and Economic Security	TU	Keeping jobs	1995-1996	Conflict of goals, TU disagreement on social cuts	Attempts to reform with elements of the supply policy / The crisis of the welfare state, and TU and EO fight for the preservation of their influence
Alliance for Work, Education and Competitiveness	G	Fight against unemployment, reforms of many areas of the labour market and social security	1998-2003	Conflict of goals, dispute about collective bargaining policy	
Informal work pact	G, TU, EO	Keeping jobs	After 2000, specially 2008-2009	Successful transition through the 2008-2009 crisis	Reforms in the spirit of supply-side economics and ordoliberalism / In the period of global crisis pragmatic eclecticism

Description: G – government, TU – trade unions, EO – employers' organisations.

Source: own elaboration.

The comparison of the Concerted Action with the two Alliances for Work indicates, apart from the obvious analogies, a few differences. Above all, these recent initiatives set out a broader task of seeking a solution to the problem of mass unemployment and the adaptation of the national institutional framework to the conditions of globalization. On the other hand, the number of participants was much narrower than the Action in its mature phase, which allowed the participants to hope for a more efficient course of work and for making certain decisions.

The main reasons for the failure of these initiatives are obvious conflicts of interest, especially between trade unions and employers' organisations representing labour and capital. The initial phase of the forum's existence is characterized by the participants' striving to demonstrate goodwill and responsibility, but over time particularism breaks up a tripartite arrangement. Trade union officers are concerned about re-election, their influence on the discipline of members is weakening, and the temptation of not keeping promises by individual unions is growing. It is worth fighting for an increase in pay when other professional groups show moderation, because in an environment of low inflation, this means an increase in the real income of union members.



The experience in the first decade (1967-1977) of macro-coordination attempts for the state's process policy proved that divergent interests of individual actors turned out to be irreconcilable, all parties declared support for price stability, but no one was willing to pay the costs and the forum collapsed. Establishing the convergence of interests under the Concerted Action, especially during the general downturn of the oil crisis era, failed and instead of the “win-win” situation (growth at stable prices), the coordination mechanism turned towards expanding the welfare state.

Experience shows that the condition of, at least periodical, stability of corporatist solutions is the centralization of agreements and support from the state (Berthold 2000, p. 15). This support can be disciplinary when the state threatens to introduce inconvenient regulations for trade unions and employers' organisations. The rule, however, is putting demands by corporations that require financing from the public purse, which the government often accepts to boast of success. In Germany, there was a degeneration of the corporatism of the supply side to the corporatism of the welfare state, which was characterized by the dependence of organizations representing labour and capital on active labour market policy, transfers and protective activities.

In the case of two Alliances for Work, the cost of the trade union's side was to be moderation in pay claims for which the union members expected “compensation” from the state. Trade union federations tried to stop greater flexibility and opening of collective bargaining systems, because it meant growing competition and weakening the cohesion of their union. The rejection of their efforts by Chancellor Schröder diminished the chances of creating such broad initiatives as the Concerted Action and put corporations in more subordinate positions in relation to the state. Hartz's reforms outlined the clearer division between the state, the market and the domains of individual actors which lost their clarity during the period of developed corporatism of the welfare state. The traditional role of trade unions can be seen more clearly, especially in view of the ongoing improvement on the German labour market, which provokes them to introduce a more aggressive pay rhetoric and greater conflict of collective disputes, especially since 2015.

In summary, in the case of Germany, trade unions and employers' organisations as institutions of mediation and collective bargaining centres initially strengthened each other. State policy also initially supported this arrangement, but over time the sphere of social security has become a source of tensions between labour and capital, both at the micro- and macroeconomic level. For decision-makers, due to generating unemployment, buying social peace became dysfunctional and impossible to finance. The warnings formulated by the

ordoliberals about the risks associated with the growth of the welfare state and the economic power of the organized groups trying to take over economic rents proved to be accurate. A. Merkel's accusations against the idea of tripartite agreement were confirmed, because the government eventually had to take the initiative and independently reform the field of the trade union and employers' organisation activities: the labour market and social security system.

Interruption of the tripartite system of interests can be seen as a way out of a certain institutional equilibrium, which does not exclude the starting or maintaining alliances by the same actors in other areas. The traditional field of convergent interests and permanent cooperation is, for example, the dual education system, and the next may include the Alliance for the "Future of Industry" (*Bündnis "Zukunft der Industrie"*), operating since 2015.

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